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FISCAL IMPACT REPORT

SPONSOR: HEC DATE TYPED: 3/14/03 HB 745/HECS/aHAFC

SHORT TITLE: Limit School District Cash Balances SB _____

ANALYST: Segura

REVENUE

Estimated Revenue		Subsequent Years Impact	Recurring or Non-Rec	Fund Affected
FY03	FY04			
	\$16,400.0		Non-Rec	Cash Balances

(Parenthesis () Indicate Revenue Decreases)

SOURCES OF INFORMATION

State Department of Education (SDE)

SUMMARY

Synopsis of HAFC Amendment

The House Appropriation and Finance Committee Amendment to House Education Committee Substitute for House Bill 745 amends Section 22-8-41 NMSA 1978 to impose limitations on the amount of operational cash balance that could be retained by a school by a school district or charter school.

Significant Issues

The bill is designed to establish practical limits on the amount of operational cash balance that a district or charter school can retain while allowing sufficient revenue to provide adequate cash flow at the start of a new fiscal year.

The HAFC amendments strikes FY 2004, and inserts 2006, which will provide additional time to conform to the requirements of the language stating that “prior to approval of a school district’s or charter school’s budget the state superintendent shall verify that the reductions from the school equalization guarantee distribution have been taken”.

In addition, on page 2, line 19, the amendment inserts “ For fiscal years 2004 and 2005 , with

the approval of the state superintendent , a school district or charter school may budget so much of its operational cash balance as is needed for nonrecurring expenditures, including capital outlay.

FISCAL IMPLICATIONS

The bill will generate \$16,400.0 to be used as a credit in determining the 2003-2004 SEG.

Synopsis of Original Bill

The House Education Committee Substitute for House Bill 745 changes the level of cash balance credit from \$9 million to \$16.4 million.

ADMINISTRATIVE IMPLICATIONS

The SDE will ensure that districts abide by the mandates of House Bill 745.

RELATIONSHIP

Relates to HB2/a

According to SDE, depending upon the amount of cash balances recaptured, the use of such as a credit might violate the prohibition against using cash balance to pay for salaries and benefits, Section 22-8-41.C NMSA 1978.

RS/njw:yr